

**QUARTERLY STATEMENT
OF THE
Volunteer State Health Plan, Inc.**

**of
Chattanooga
in the state of
Tennessee**

**TO THE
Insurance Department
OF THE STATE OF
Tennessee**

**FOR THE QUARTER ENDED
March 31, 2007**

2007

QUARTERLY STATEMENT
AS OF March 31, 2007
OF THE CONDITION AND AFFAIRS OF THE
Volunteer State Health Plan, Inc.

NAIC Group Code	0000 (Current Period)	0000 (Prior Period)	NAIC Company Code	Employer's ID Number	62-1656610
Organized under the Laws of	Tennessee	State of Domicile or Port of Entry	Tennessee		
Country of Domicile	United States of America				
Licensed as business type:	Life, Accident & Health[] Dental Service Corporation[] Other[] Property/Casualty[] Vision Service Corporation[] Is HMO Federally Qualified? Yes[] No[X] N/A[] Hospital, Medical & Dental Service or Indemnity[] Health Maintenance Organization[X]				
Incorporated/Organized	07/11/1996	Commenced Business	11/01/1996		
Statutory Home Office	801 Pine Street (Street and Number)	Chattanooga, TN 37402 (City, or Town, State and Zip Code)			
Main Administrative Office	801 Pine Street (Street and Number)	Chattanooga, TN 37402 (City, or Town, State and Zip Code)	(423)535-5600 (Area Code) (Telephone Number)		
Mail Address	801 Pine Street (Street and Number or P.O. Box)	Chattanooga, TN 37402 (City, or Town, State and Zip Code)	(423)535-5600 (Area Code) (Telephone Number)		
Primary Location of Books and Records	801 Pine Street (Street and Number)	Chattanooga, TN 37402 (City, or Town, State and Zip Code)	(423)535-5600 (Area Code) (Telephone Number)		
Internet Website Address	www.bcbst.com				
Statutory Statement Contact	Dana Elaine Hull (Name)	Dana_Hull@BCBST.com (E-Mail Address)	(423)535-7919 (Area Code)(Telephone Number)(Extension)	(423)535-8331 (Fax Number)	
Policyowner Relations Contact	801 Pine Street (Street and Number)	Chattanooga, TN 37402 (City, or Town, State and Zip Code)	(423)535-5600 (Area Code) (Telephone Number)(Extension)		

OFFICERS

Name	Title
Vicky Brown Gregg	Chairman
Ronald Ellis Harr	President & CEO
Sonya Kay Nelson	Vice President, Medicaid Administration
Sylvia Ann Sherrill	Vice President, Medicare Advantage
Shelia Dian Clemons	Secretary
Harold Hoke Cantrell Jr.	Assistant Treasurer

OTHERS

DIRECTORS OR TRUSTEES

Ronald Ellis Harr
Steven Lee Coulter MD

Vicky Brown Gregg
Charles Timothy Gary

State of Tennessee
County of Hamilton ss

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of the said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

Ronald Ellis Harr
(Signature)
Ronald Ellis Harr
(Printed Name)
1.
President & CEO
(Title)

Shelia Dian Clemons
(Signature)
Shelia Dian Clemons
(Printed Name)
2.
Secretary
(Title)

Harold Hoke Cantrell Jr.
(Signature)
Harold Hoke Cantrell, Jr.
(Printed Name)
3.
Assistant Treasurer
(Title)

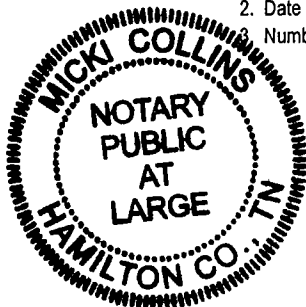
Subscribed and sworn to before me this
7th day of May, 2007

Micki Collins
(Notary Public Signature)

- a. Is this an original filing?
b. If no, 1. State the amendment number
2. Date filed
3. Number of pages attached

Yes[X] No[]

My Commission Expires
August 18, 2010



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ASSETS

		Current Statement Date			4
		1	2	3	
		Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	December 31, Prior Year Net Admitted Assets
1.	Bonds	28,520,048		28,520,048	28,556,862
2.	Stocks:				
2.1	Preferred stocks				
2.2	Common stocks				
3.	Mortgage loans on real estate:				
3.1	First liens				
3.2	Other than first liens				
4.	Real estate:				
4.1	Properties occupied by the company (less \$.....0 encumbrances)				
4.2	Properties held for the production of income (less \$.....0 encumbrances)				
4.3	Properties held for sale (less \$.....0 encumbrances)				
5.	Cash (\$.....10,546,477), cash equivalents (\$.....0) and short-term investments (\$.....27,189,107)	37,735,584		37,735,584	8,914,539
6.	Contract loans (including \$.....0 premium notes)				
7.	Other invested assets				
8.	Receivables for securities				
9.	Aggregate write-ins for invested assets				
10.	Subtotals, cash and invested assets (Lines 1 to 9)	66,255,632		66,255,632	37,471,401
11.	Title plants less \$.....0 charged off (for Title insurers only)				
12.	Investment income due and accrued	406,159		406,159	401,581
13.	Premiums and considerations:				
13.1	Uncollected premiums and agents' balances in the course of collection				
13.2	Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums)				
13.3	Accrued retrospective premiums				
14.	Reinsurance:				
14.1	Amounts recoverable from reinsurers				
14.2	Funds held by or deposited with reinsured companies				
14.3	Other amounts receivable under reinsurance contracts				
15.	Amounts receivable relating to uninsured plans	6,695,916		6,695,916	8,839,175
16.1	Current federal and foreign income tax recoverable and interest thereon				
16.2	Net deferred tax asset	263,438	263,438		
17.	Guaranty funds receivable or on deposit				
18.	Electronic data processing equipment and software				
19.	Furniture and equipment, including health care delivery assets (\$.....0)				
20.	Net adjustments in assets and liabilities due to foreign exchange rates				
21.	Receivables from parent, subsidiaries and affiliates				
22.	Health care (\$.....0) and other amounts receivable				
23.	Aggregate write-ins for other than invested assets	274,225		274,225	
24.	Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	73,895,370	263,438	73,631,932	46,712,157
25.	From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26.	Total (Lines 24 and 25)	73,895,370	263,438	73,631,932	46,712,157
DETAILS OF WRITE-INS					
0901.	.....			
0902.	.....			
0903.	.....			
0998.	Summary of remaining write-ins for Line 9 from overflow page				
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above)				
2301.	BlueCare East due from State of Tennessee	274,225		274,225	
2302.	.....			
2303.	.....			
2398.	Summary of remaining write-ins for Line 23 from overflow page				
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)	274,225		274,225	

LIABILITIES, CAPITAL AND SURPLUS

		Current Period			Prior Year
		1 Covered	2 Uncovered	3 Total	4 Total
1.	Claims unpaid (less \$.....0 reinsurance ceded)				
2.	Accrued medical incentive pool and bonus amounts				
3.	Unpaid claims adjustment expenses				
4.	Aggregate health policy reserves				
5.	Aggregate life policy reserves				
6.	Property/casualty unearned premium reserve				
7.	Aggregate health claim reserves				
8.	Premiums received in advance	3,413,216		3,413,216	
9.	General expenses due or accrued	1,052,254		1,052,254	542,706
10.1	Current federal and foreign income tax payable and interest thereon (including \$.....0 on realized gains (losses))				
10.2	Net deferred tax liability				
11.	Ceded reinsurance premiums payable				
12.	Amounts withheld or retained for the account of others				
13.	Remittances and items not allocated	7,899		7,899	4,636
14.	Borrowed money (including \$.....0 current) and interest thereon \$.....0 (including \$.....0 current)				
15.	Amounts due to parent, subsidiaries and affiliates	11,036,569		11,036,569	9,403,351
16.	Payable for securities				
17.	Funds held under reinsurance treaties with (\$.....0 authorized reinsurers and \$.....0 unauthorized reinsurers)				
18.	Reinsurance in unauthorized companies				
19.	Net adjustments in assets and liabilities due to foreign exchange rates				
20.	Liability for amounts held under uninsured plans	1,679,535		1,679,535	1,699,356
21.	Aggregate write-ins for other liabilities (including \$.....0 current)	25,666,792		25,666,792	4,303,998
22.	Total liabilities (Lines 1 to 21)	42,856,265		42,856,265	15,954,047
23.	Aggregate write-ins for special surplus funds	X X X	X X X		
24.	Common capital stock	X X X	X X X	10	10
25.	Preferred capital stock	X X X	X X X		
26.	Gross paid in and contributed surplus	X X X	X X X	99,990	99,990
27.	Surplus notes	X X X	X X X		
28.	Aggregate write-ins for other than special surplus funds	X X X	X X X	25,703,132	27,775,339
29.	Unassigned funds (surplus)	X X X	X X X	4,972,535	2,882,771
30.	Less treasury stock, at cost:				
30.1	.....0 shares common (value included in Line 24 \$.....0)	X X X	X X X		
30.2	.....0 shares preferred (value included in Line 25 \$.....0)	X X X	X X X		
31.	Total capital and surplus (Lines 23 to 29 minus Line 30)	X X X	X X X	30,775,667	30,758,110
32.	Total Liabilities, capital and surplus (Lines 22 and 31)	X X X	X X X	73,631,932	46,712,157
DETAILS OF WRITE-INS					
2101.	Essential Provider Payments Payable	25,000,000		25,000,000	
2102.	Stale Dated Checks	645,690		645,690	646,335
2103.	Exigency Post Settlement Activity	21,102		21,102	12,350
2198.	Summary of remaining write-ins for Line 21 from overflow page				3,645,313
2199.	TOTALS (Lines 2101 through 2103 plus 2198) (Line 21 above)	25,666,792		25,666,792	4,303,998
2301.	.....	X X X	X X X		
2302.	.....	X X X	X X X		
2303.	.....	X X X	X X X		
2398.	Summary of remaining write-ins for Line 23 from overflow page	X X X	X X X		
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)	X X X	X X X		
2801.	Legally Required Reserves	X X X	X X X	25,703,132	27,775,339
2802.	.....	X X X	X X X		
2803.	.....	X X X	X X X		
2898.	Summary of remaining write-ins for Line 28 from overflow page	X X X	X X X		
2899.	TOTALS (Lines 2801 through 2803 plus 2898) (Line 28 above)	X X X	X X X	25,703,132	27,775,339

STATEMENT OF REVENUE AND EXPENSES

		Current Year To Date		Prior Year To Date
		1 Uncovered	2 Total	3 Total
1.	Member Months	X X X		
2.	Net premium income (including \$.....0 non-health premium income)	X X X	(16,458)	(37,114)
3.	Change in unearned premium reserves and reserves for rate credits	X X X		
4.	Fee-for-service (net of \$.....0 medical expenses)	X X X		
5.	Risk revenue	X X X		
6.	Aggregate write-ins for other health care related revenues	X X X		
7.	Aggregate write-ins for other non-health revenues	X X X	4,240,805	
8.	Total revenues (Lines 2 to 7)	X X X	4,224,347	(37,114)
Hospital and Medical:				
9.	Hospital/medical benefits		(65,126)	(116,944)
10.	Other professional services		(11,344)	(2,753)
11.	Outside referrals			
12.	Emergency room and out-of-area		57	(956)
13.	Prescription drugs			
14.	Aggregate write-ins for other hospital and medical		27,602	72,772
15.	Incentive pool, withhold adjustments and bonus amounts			
16.	Subtotal (Lines 9 to 15)		(48,811)	(47,881)
Less:				
17.	Net reinsurance recoveries			
18.	Total hospital and medical (Lines 16 minus 17)		(48,811)	(47,881)
19.	Non-health claims (net)			
20.	Claims adjustment expenses, including \$.....57,822 cost containment expenses		235,551	134,348
21.	General administrative expenses		325,284	184,014
22.	Increase in reserves for life and accident and health contracts (including \$.....0 increase in reserves for life only)			
23.	Total underwriting deductions (Lines 18 through 22)		512,024	270,481
24.	Net underwriting gain or (loss) (Lines 8 minus 23)	X X X	3,712,323	(307,595)
25.	Net investment income earned		550,393	329,530
26.	Net realized capital gains (losses) less capital gains tax of \$.....0			24,550
27.	Net investment gains or (losses) (Lines 25 plus 26)		550,393	354,080
28.	Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....0) (amount charged off \$.....0)]			
29.	Aggregate write-ins for other income or expenses		(4,240,805)	
30.	Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	X X X	21,911	46,485
31.	Federal and foreign income taxes incurred	X X X	4,354	1,080
32.	Net income (loss) (Lines 30 minus 31)	X X X	17,557	45,405
DETAILS OF WRITE-INS				
0601.	Meharry, Critical Access & Essential Provider Payment Revenues	X X X	56,501,306	82,228,048
0602.	Meharry, Critical Access & EPP Premium Taxes	X X X	(1,130,026)	(1,644,561)
0603.	Critical Access Payments	X X X	(2,121,280)	(3,083,487)
0698.	Summary of remaining write-ins for Line 6 from overflow page	X X X	(53,250,000)	(77,500,000)
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)	X X X		
0701.	Shared Health, Inc. Revenue	X X X	4,240,805	
0702.	.....	X X X		
0703.	.....	X X X		
0798.	Summary of remaining write-ins for Line 7 from overflow page	X X X		
0799.	TOTALS (Lines 0701 through 0703 plus 0798) (Line 7 above)	X X X	4,240,805	
1401.	Exigency Post-Settlement Activity		27,602	72,772
1402.	.....		
1403.	.....		
1498.	Summary of remaining write-ins for Line 14 from overflow page			
1499.	TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above)		27,602	72,772
2901.	Shared Health, Inc. Expense		(4,240,805)	
2902.	.....		
2903.	.....		
2998.	Summary of remaining write-ins for Line 29 from overflow page			
2999.	TOTALS (Lines 2901 through 2903 plus 2998) (Line 29 above)		(4,240,805)	

STATEMENT OF REVENUE AND EXPENSES (Continued)

		1	2	3
		Current Year To Date	Prior Year To Date	Prior Year
CAPITAL & SURPLUS ACCOUNT				
33.	Capital and surplus prior reporting year	30,758,110	30,420,776	30,420,776
34.	Net income or (loss) from Line 32	17,557	45,405	337,334
35.	Change in valuation basis of aggregate policy and claim reserves			
36.	Change in net unrealized capital gains (losses) less capital gains tax of \$.....0			
37.	Change in net unrealized foreign exchange capital gain or (loss)			
38.	Change in net deferred income tax	(3,294)	(30,380)	(71,733)
39.	Change in nonadmitted assets	3,294	15,190	71,733
40.	Change in unauthorized reinsurance			
41.	Change in treasury stock			
42.	Change in surplus notes			
43.	Cumulative effect of changes in accounting principles			
44.	Capital Changes:			
44.1	Paid in			
44.2	Transferred from surplus (Stock Dividend)			
44.3	Transferred to surplus			
45.	Surplus adjustments:			
45.1	Paid in			
45.2	Transferred to capital (Stock Dividend)			
45.3	Transferred from capital			
46.	Dividends to stockholders			
47.	Aggregate write-ins for gains or (losses) in surplus			
48.	Net change in capital and surplus (Lines 34 to 47)	17,557	30,215	337,334
49.	Capital and surplus end of reporting period (Line 33 plus 48)	30,775,667	30,450,991	30,758,110
DETAILS OF WRITE-INS				
4701.	.....	.....	.....	.....
4702.	.....	.....	.....	.....
4703.	.....	.....	.....	.....
4798.	Summary of remaining write-ins for Line 47 from overflow page .....	.....	.....	.....
4799.	TOTALS (Lines 4701 through 4703 plus 4798) (Line 47 above) .....	.....	.....	.....

Report #2A: VOLUNTEER STATE HEALTH PLAN, INC STATEMENT OF REVENUES AND EXPENSES			
	Current Year		Previous Year
	Current Period	Year-to-date Total	Total
MEMBER MONTHS	-	-	-
REVENUES:			
1. TennCare Capitation	(16,458)	(16,458)	(102,928)
2. Adverse Selection	-	-	-
3. Total TennCare Revenue (Lines 1 and 2)	(16,458)	(16,458)	(102,928)
4. Investment	550,393	550,393	1,806,399
5. Other Revenue (Provide Detail)	-	-	-
6. TOTAL REVENUES (Lines 1 to 5)	533,935	533,935	1,703,471
EXPENSES:			
Medical and Hospital Services:			
7. Capitated Physician Services	-	-	-
8. Fee-for Service Physician Services	(15,558)	(15,558)	(9,942)
9. Inpatient Hospital Services	(3,256)	(3,256)	(10,711)
10. Outpatient Services	(7,477)	(7,477)	(8,892)
11. Emergency Room Services	2	2	(487)
12. Mental Health Services	-	-	-
13. Dental Services	-	-	-
14. Vision Services	-	-	-
15. Pharmacy Services	-	-	-
16. Home Health Services	-	-	(11,799)
17. Chiropractic Services	-	-	-
18. Radiology Services	(691)	(691)	(776)
19. Laboratory Services	(4,065)	(4,065)	-
20. Durable Medical Services	-	-	(117)
21. Transportation Services	(564)	(564)	(644)
22. Outside Referrals	-	-	-
23. Medical Incentive Pool and Withhold Adjustments	-	-	-
24. Occupancy, Depreciation, and Amortization	-	-	-
25. Other Medical and Hospital Services (Provide Detail)	13,937	13,937	105,013
26. Subtotal (Lines 7 to 25)	(17,672)	(17,672)	61,645
LESS:			
27. Reinsurance Expenses Net of Recoveries	-	-	-
28. Copayments	(30)	(30)	-
29. Subrogation and Coordination of Benefits	31,169	31,169	497,741
30. Subtotal (Lines 27 to 29)	31,139	31,139	497,741
31. TOTAL MEDICAL AND HOSPITAL (Lines 26 minus line 30)	(48,811)	(48,811)	(436,096)
Administration:			
32. Compensation	357,439	357,439	1,103,728
33. Marketing	-	-	-
34. Interest Expense	-	-	-
35. Premium Tax Expense	(329)	(329)	(2,059)
36. Occupancy, Depreciation and Amortization	35,479	35,479	109,554
37. Other Administration (Provide Detail)	168,246	168,246	519,515
38. TOTAL ADMINISTRATION (Lines 32 to 37)	560,835	560,835	1,730,738
39. TOTAL EXPENSES (Lines 31 and 38)	512,024	512,024	1,294,642
40. Extraordinary Item	-	-	-
41. Provision for Federal Income Taxes	4,354	4,354	71,315
42. NET INCOME/(LOSS) (Line 6 less Lines 39,40 and 41))	17,557	17,557	337,514
DETAILS OF WRITE-INS			
0501. Meharry, Critical Access & EPP Revenues	56,501,306	56,501,306	177,230,424
0502. Meharry, Critical Access, and EPP Premium Taxes	(1,130,026)	(1,130,026)	(3,544,608)
0503. Critical Access Payments	(2,121,280)	(2,121,280)	(11,105,816)
0504. Meharry Payments	(3,250,000)	(3,250,000)	(12,580,000)
0505. Essential Provider Payments (EPP)	(50,000,000)	(50,000,000)	(150,000,000)
0599. TOTALS	-	-	-
2501. Exigency Post-Settlement Activity	27,602	27,602	311,768
2502. Out of Area Claims	-	-	5
2503. PT/OT/ST, Supplies, Prosthetics, etc.	(4,253)	(4,253)	(40)
2504. Bad Debt Expense	(9,412)	(9,412)	(206,720)
2599. TOTALS	13,937	13,937	105,013
3701. Equipment	70,397	70,397	217,376
3702. Postage/Telephone	24,084	24,084	74,365
3703. Auditing, Actuarial, and Other Consulting	23,971	23,971	74,018
3704. Legal Fees, Books, Board and Assoc. fees, Collection fees, etc.	22,287	22,287	68,818
3705. Outsourced Services	19,648	19,648	60,670
3706. Printing and Stationary	7,859	7,859	24,268
3799. TOTALS	168,246	168,246	519,515

Report #2A: TennCare Select Only			
	Current Year		Previous Year
	Current Period	Year-to-date Total	Total
MEMBER MONTHS	1,244,740	1,244,740	4,948,502
REVENUES:			
1. TennCare Capitation	320,610,382	320,610,382	1,047,749,133
2. Adverse Selection	-	-	-
3. Total TennCare Revenue (Lines 1 and 2)	320,610,382	320,610,382	1,047,749,133
4. Investment	-	-	-
5. Other Revenue (Provide Detail)	4,240,805	4,240,805	6,550,600
6. TOTAL REVENUES (Lines 1 to 5)	324,851,187	324,851,187	1,054,299,733
EXPENSES:			
Medical and Hospital Services:			
7. Capitated Physician Services	1,335,792	1,335,792	5,349,605
8. Fee-for Service Physician Services	80,953,295	80,953,295	277,217,902
9. Inpatient Hospital Services	75,971,717	75,971,717	242,647,007
10. Outpatient Services	40,321,973	40,321,973	134,370,816
11. Emergency Room Services	9,988,800	9,988,800	32,309,809
12. Mental Health Services	-	-	-
13. Dental Services	1,173	1,173	1,375
14. Vision Services	175,801	175,801	682,606
15. Pharmacy Services	-	-	-
16. Home Health Services	62,420,751	62,420,751	168,332,760
17. Chiropractic Services	-	-	-
18. Radiology Services	4,957,655	4,957,655	18,055,066
19. Laboratory Services	4,140,685	4,140,685	15,285,472
20. Durable Medical Services	5,016,696	5,016,696	17,293,399
21. Transportation Services	6,780,509	6,780,509	29,130,975
22. Outside Referrals	-	-	-
23. Medical Incentive Pool and Withhold Adjustments	-	-	-
24. Occupancy, Depreciation, and Amortization	-	-	-
25. Other Medical and Hospital Services (Provide Detail)	6,682,826	6,682,826	24,792,050
26. Subtotal (Lines 7 to 25)	298,747,673	298,747,673	965,468,842
LESS:			
27. Reinsurance Expenses Net of Recoveries	-	-	-
28. Copayments	-	-	342,776
29. Subrogation and Coordination of Benefits	929,944	929,944	2,850,222
30. Subtotal (Lines 27 to 29)	929,944	929,944	3,192,998
31. TOTAL MEDICAL AND HOSPITAL (Lines 26 minus line 30)	297,817,729	297,817,729	962,275,844
Administration:			
32. Compensation	10,433,894	10,433,894	41,122,621
33. Marketing	-	-	-
34. Interest Expense	-	-	-
35. Premium Tax Expense	6,412,208	6,412,208	20,954,983
36. Occupancy, Depreciation and Amortization	1,035,642	1,035,642	4,081,729
37. Other Administration (Provide Detail)	9,151,914	9,151,914	25,906,521
38. TOTAL ADMINISTRATION (Lines 32 to 37)	27,033,658	27,033,658	92,065,854
39. TOTAL EXPENSES (Lines 31 and 38)	324,851,387	324,851,387	1,054,341,698
40. Extraordinary Item			
41. Provision for Federal Income Taxes	(70)	(70)	(14,688)
42. NET INCOME/(LOSS) (Line 6 less Lines 39,40 and 41))	(130)	(130)	(27,277)
DETAILS OF WRITE-INS			
0501. Shared Health, Inc. Revenue	4,240,805	4,240,805	6,550,600
0599. TOTALS	4,240,805	4,240,805	6,550,600
2501. PT/OT/ST, Supplies, Prosthetics, etc.	4,987,373	4,987,373	16,561,595
2502. Out of Area Claims Expense	1,917,345	1,917,345	8,256,283
2503. Bad Debt Expense	(221,892)	(221,892)	(25,828)
2599. TOTALS	6,682,826	6,682,826	24,792,050
3701. Shared Health, Inc. Expense	4,240,805	4,240,805	6,550,600
3702. Equipment Rental	2,054,898	2,054,898	8,098,874
3703. Postage/Telephone	702,992	702,992	2,770,668
3704. Auditing, Actuarial, and Other Consulting	699,714	699,714	2,757,751
3705. Legal Fees, Books, Board and Assoc. fees, Collection fees, etc.	650,555	650,555	2,563,997
3706. Outsourced Services	573,536	573,536	2,260,451
3707. Printing and Stationary	229,414	229,414	904,180
3799. TOTALS	9,151,914	9,151,914	25,906,521

Report #2A: Stabilization Plan Only			
	Current Year		Previous Year
	Current Period	Year-to-date Total	Total
MEMBER MONTHS	623,545	623,545	2,548,992
REVENUES:			
1. TennCare Capitation	129,040,901	129,040,901	448,353,023
2. Adverse Selection	-	-	-
3. Total TennCare Revenue (Lines 1 and 2)	129,040,901	129,040,901	448,353,023
4. Investment	-	-	-
5. Other Revenue (Provide Detail)	-	-	-
6. TOTAL REVENUES (Lines 1 to 5)	129,040,901	129,040,901	448,353,023
EXPENSES:			
Medical and Hospital Services:			
7. Capitated Physician Services	499,951	499,951	2,038,628
8. Fee-for Service Physician Services	42,763,987	42,763,987	152,018,048
9. Inpatient Hospital Services	26,446,081	26,446,081	92,193,335
10. Outpatient Services	16,376,775	16,376,775	58,985,632
11. Emergency Room Services	4,395,214	4,395,214	14,041,135
12. Mental Health Services	-	-	-
13. Dental Services	452	452	2,357
14. Vision Services	73,446	73,446	312,077
15. Pharmacy Services	-	-	-
16. Home Health Services	17,225,520	17,225,520	47,213,971
17. Chiropractic Services	-	-	-
18. Radiology Services	2,486,143	2,486,143	9,338,358
19. Laboratory Services	2,507,688	2,507,688	9,903,371
20. Durable Medical Services	2,594,459	2,594,459	9,334,251
21. Transportation Services	2,550,805	2,550,805	10,336,754
22. Outside Referrals	-	-	-
23. Medical Incentive Pool and Withhold Adjustments	-	-	-
24. Occupancy, Depreciation, and Amortization	-	-	-
25. Other Medical and Hospital Services (Provide Detail)	2,036,559	2,036,559	7,377,893
26. Subtotal (Lines 7 to 25)	119,957,080	119,957,080	413,095,810
LESS:			
27. Reinsurance Expenses Net of Recoveries			
28. Copayments	63,882	63,882	247,506
29. Subrogation and Coordination of Benefits	501,117	501,117	2,143,311
30. Subtotal (Lines 27 to 29)	564,999	564,999	2,390,817
31. TOTAL MEDICAL AND HOSPITAL (Lines 26 minus line 30)	119,392,081	119,392,081	410,704,993
Administration:			
32. Compensation	4,508,550	4,508,550	18,225,129
33. Marketing	-	-	-
34. Interest Expense	-	-	-
35. Premium Tax Expense	2,590,818	2,590,818	9,029,379
36. Occupancy, Depreciation and Amortization	447,507	447,507	1,808,981
37. Other Administration (Provide Detail)	2,122,117	2,122,117	8,578,346
38. TOTAL ADMINISTRATION (Lines 32 to 37)	9,668,992	9,668,992	37,641,835
39. TOTAL EXPENSES (Lines 31 and 38)	129,061,073	129,061,073	448,346,828
40. Extraordinary Item			
41. Provision for Federal Income Taxes	(7,060)	(7,060)	2,168
42. NET INCOME/(LOSS) (Line 6 less Lines 39,40 and 41))	(13,112)	(13,112)	4,027
DETAILS OF WRITE-INS			
2501. PT/OT/ST, Supplies, Prosthetics, etc.	1,719,910	1,719,910	5,863,945
2502. Out of Area Claims Expense	363,846	363,846	1,661,648
2503. Bad Debt Expense	(47,197)	(47,197)	(147,700)
2599. TOTALS	2,036,559	2,036,559	7,377,893
3701. Equipment Rental	887,934	887,934	3,589,339
3702. Postage/Telephone	303,767	303,767	1,227,932
3703. Auditing, Actuarial, and Other Consulting	302,351	302,351	1,222,207
3704. Legal Fees, Books, Board and Assoc. fees, Collection fees, etc.	281,106	281,106	1,136,336
3705. Outsourced Services	247,828	247,828	1,001,809
3706. Printing and Stationary	99,131	99,131	400,723
3799. TOTALS	2,122,117	2,122,117	8,578,346

CASH FLOW

		1 Current Year To Date	2 Prior Year Ended December 31
Cash from Operations			
1.	Premiums collected net of reinsurance	(16,458)	(102,928)
2.	Net investment income	582,629	1,968,652
3.	Miscellaneous income	4,240,805	6,550,600
4.	Total (Lines 1 to 3)	4,806,976	8,416,324
5.	Benefit and loss related payments	(48,811)	(435,916)
6.	Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7.	Commissions, expenses paid and aggregate write-ins for deductions	(22,831,346)	14,880,394
8.	Dividends paid to policyholders		
9.	Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses)	4,354	71,315
10.	Total (Lines 5 through 9)	(22,875,803)	14,515,793
11.	Net cash from operations (Line 4 minus Line 10)	27,682,779	(6,099,469)
Cash from Investments			
12.	Proceeds from investments sold, matured or repaid:		
12.1	Bonds		3,479,480
12.2	Stocks		
12.3	Mortgage loans		
12.4	Real estate		
12.5	Other invested assets		
12.6	Net gains or (losses) on cash, cash equivalents and short-term investments		
12.7	Miscellaneous proceeds		
12.8	Total investment proceeds (Lines 12.1 to 12.7)		3,479,480
13.	Cost of investments acquired (long-term only):		
13.1	Bonds		2,999,452
13.2	Stocks		
13.3	Mortgage loans		
13.4	Real estate		
13.5	Other invested assets		
13.6	Miscellaneous applications		
13.7	Total investments acquired (Lines 13.1 to 13.6)		2,999,452
14.	Net increase (or decrease) in contract loans and premium notes		
15.	Net cash from investments (Line 12.8 minus Lines 13.7 and 14)		480,028
Cash from Financing and Miscellaneous Sources			
16.	Cash provided (applied):		
16.1	Surplus notes, capital notes		
16.2	Capital and paid in surplus, less treasury stock		
16.3	Borrowed funds		
16.4	Net deposits on deposit-type contracts and other insurance liabilities		
16.5	Dividends to stockholders		
16.6	Other cash provided (applied)	1,138,266	5,270,570
17.	Net cash from financing and miscellaneous sources (Lines 16.1 through 16.4 minus Line 16.5 plus Line 16.6)	1,138,266	5,270,570
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS			
18.	Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	28,821,045	(348,871)
19.	Cash, cash equivalents and short-term investments:		
19.1	Beginning of year	8,914,539	9,263,410
19.2	End of period (Line 18 plus Line 19.1)	37,735,584	8,914,539

Supplemental Disclosures of Cash Flow Information for Non-Cash Transactions:

Description		Amount 1	Amount 2
20.0001		

EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION

	1	Comprehensive (Hospital & Medical)		4	5	6	7	8	9	10
		2	3							
	Total	Individual	Group	Medicare Supplement	Vision Only	Dental Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other
Total Members at end of:										
1. Prior Year										
2. First Quarter										
3. Second Quarter										
4. Third Quarter										
5. Current Year										
6. Current Year Member Months										
Total Member Ambulatory Encounters for Period:										
7. Physician	(114)								(114)	
8. Non-Physician	(85)								(85)	
9. Total	(199)								(199)	
10. Hospital Patient Days Incurred	(1)								(1)	
11. Number of Inpatient Admissions	(1)								(1)	
12. Health Premiums Written (a)	(16,458)								(16,458)	
13. Life Premiums Direct										
14. Property/Casualty Premiums Written										
15. Health Premiums Earned	(16,458)								(16,458)	
16. Property/Casualty Premiums Earned										
17. Amount Paid for Provision of Health Care Services	(48,811)								(48,811)	
18. Amount Incurred for Provision of Health Care Services	(48,811)								(48,811)	

(a) For health premiums written: amount of Medicare Title XVIII exempt from state taxes or fees \$.....0.

STATEMENT AS OF **March 31, 2007** OF THE **Volunteer State Health Plan, Inc.**

CLAIMS UNPAID AND INCENTIVE POOL, WITHHOLD AND BONUS (Reported and Unreported)

Aging Analysis of Unpaid Claims						
1	2	3	4	5	6	7
Account	1 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 days	Over 120 Days	Total
NONE						
0899999	Accrued Medical Incentive Pool And Bonus Amounts					

UNDERWRITING AND INVESTMENT EXHIBIT
ANALYSIS OF CLAIMS UNPAID-PRIOR YEAR-NET OF REINSURANCE

Line of Business	Claims Paid Year to Date		Liability End of Current Quarter		5 Claims Incurred in Prior Years (Columns 1+3)	6 Estimated Claim Reserve and Claim Liability Dec.31 of Prior Year
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid Dec.31 of Prior Year	4 On Claims Incurred During the Year		
1. Comprehensive (hospital & medical) .....	.....	.....	.....	.....	.....	.....
2. Medicare Supplement .....	.....	.....	.....	.....	.....	.....
3. Dental only .....	.....	.....	.....	.....	.....	.....
4. Vision only .....	.....	.....	.....	.....	.....	.....
5. Federal Employees Health Benefits Plan .....	.....	.....	.....	.....	.....	.....
6. Title XVIII - Medicare .....	.....	.....	.....	.....	.....	.....
7. Title XIX - Medicaid	(48,811)	.....	.....	.....	(48,811)	.....
8. Other health .....	.....	.....	.....	.....	.....	.....
9. Health subtotal (Lines 1 to 8)	(48,811)	.....	.....	.....	(48,811)	.....
10. Healthcare receivables (a) .....	.....	.....	.....	.....	.....	.....
11. Other non-health .....	.....	.....	.....	.....	.....	.....
12. Medical incentive pools and bonus amounts .....	.....	.....	.....	.....	.....	.....
13. Totals	(48,811)	.....	.....	.....	(48,811)	.....

(a) Excludes \$.....0 loans or advances to providers not yet expensed.

Notes to Financial Statement

1. Summary of Significant Accounting Policies

A. Accounting Practices

The financial statements of Volunteer State Health Plan, Inc. (VSHP) (the Company) are presented on the basis of accounting practices prescribed or permitted by the Tennessee Department of Commerce and Insurance (TDCI).

The TDCI, TennCare Division, recognizes only statutory accounting practices prescribed or permitted by the State of Tennessee for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Tennessee Insurance Law. The National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures* manual, version effective January 1, 2007, (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the State of Tennessee. The Commissioner of Insurance has the right to permit specific practices that deviate from prescribed practices.

Since 2004, VSHP has accepted the risk for uninsured claims overpayments for which the Company determined the State was not responsible. At the direction of the TDCI, TennCare Division, the Company recorded the uninsured claims overpayments as claims expense instead of reporting the net gain/(loss) on the general administrative expense line as required by NAIC SAP.

The Company, at the direction of the Commissioner of Insurance of the State of Tennessee, records premium and claims equivalents for the uninsured Exigency period (July 1, 2000 – June 30, 2001), instead of reporting the net gain/(loss) in the general administrative expense line of the current year column as required by NAIC SAP. If premium equivalents were not recorded, revenues would not be increased and claims would be decreased \$5,594 YTD. From 2003 through 2006, activity was settled monthly on a cash basis. For 2007, activity continues to be settled monthly on a cash basis.

At the request of the TDCI, TennCare Division, VSHP no longer reports for ASOs the receivables and associated payables to the State of Tennessee for pharmacy rebates, investment interest income, and premium taxes. The rationale behind the exclusion is that these assets have no economic benefit to VSHP. In addition to the aforementioned request, the TDCI has also requested VSHP show Shared Health, Inc. revenue on line 7 of the Statement of Revenues and Expenses as an aggregate write-in for other non-health revenues. The related off-setting expense is shown on line 29, aggregate write-ins for other income or expenses. The receivable from the State is shown on line 15 of the asset page and the liability to Shared Health, Inc. flows through line 15 of the liability page. This practice differs from the NAIC's *Accounting Practices and Procedures Manual* which requires the netting of revenues and expenses for ASO business in administrative expenses. These permitted practices have no impact on the Company's capital and surplus.

B. Use of Estimates in the Preparation of the Financial Statements

No Change

C. Accounting Policy

No Change

2. Accounting Changes and Corrections of Errors

A. Disclosure of material changes in accounting principles and/or correction of errors.

No Change

3. Business Combinations and Goodwill

No Change

4. Discontinued Operations

No Change

5. Investments

No Change

6. Joint Ventures, Partnerships and Limited Liability Companies

No Change

7. Investment Income

No Change

Notes to Financial Statement

8. Derivative Instruments

No Change

9. Income Taxes

A. The components of the net deferred tax asset recognized in the Company’s Assets, Liabilities, Surplus, and Other Funds are as follows:

	<u>March 31, 2007</u>	<u>December 31, 2006</u>
(1) Total of gross deferred tax assets (admitted and nonadmitted)	\$ 263,438	\$ 266,732
(2) Total of deferred tax liabilities	<u>0</u>	<u>0</u>
(3) Net deferred tax assets	263,438	266,732
(4) Deferred tax assets nonadmitted	<u>263,438</u>	<u>266,732</u>
(5) Net admitted deferred tax assets	<u>\$ 0</u>	<u>\$ 0</u>
(6) Increase (decrease) in nonadmitted asset	<u>\$ (3,294)</u>	<u>\$ (71,733)</u>

B. No Change

C. The change in net deferred income taxes is comprised of the following:

	<u>March 31, 2007</u>	<u>December 31, 2006</u>	<u>Change</u>
Total deferred tax assets (admitted and non-admitted)	\$ 263,438	\$ 266,732	\$ (3,294)
Total deferred tax liabilities	<u>0</u>	<u>0</u>	<u>0</u>
Net deferred tax assets (deferred assets less liabilities)	<u>\$ 263,438</u>	<u>\$ 266,732</u>	(3,294)
Tax effect of non-admitted assets			(22)
Change in net deferred income tax			<u>\$ (3,316)</u>

D. The provision for federal and foreign income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate to income before taxes. The significant items causing this difference are as follows:

	<u>March 31, 2007</u>	<u>Effective Tax Rate</u>
Provision computed at statutory rate	\$ 7,670	35.0%
Change in net deferred income taxes	\$ (3,316)	(15.1%)
Federal income taxes incurred	<u>\$ 4,354</u>	<u>19.90%</u>

E. No Change

F. (1) The Company’s federal income tax return is consolidated with the following entities:

BlueCross BlueShield of Tennessee, Inc.
Golden Security Insurance Company
Group Insurance Services, Inc.
Southern Diversified Business Services, Inc.
RiverTrust Solutions, Inc.
Security Care, Inc.
Riverbend Government Benefits Administrator, Inc.
Shared Health, Inc.
Gordian Health Solutions, Inc.
Continental Health Promotion, Inc.
Eris Survey Systems, Inc.
BeneVive, Inc.

(2) The method of tax allocation between members of the affiliated group is subject to written agreement, approved by the Board of Directors. Allocation is based upon a percentage calculation. Intercompany tax balances are settled monthly.

10. Information Concerning Parent, Subsidiaries and Affiliates

A. The Company is a wholly owned subsidiary of BlueCross BlueShield of Tennessee, Inc. (The Parent).

The Parent owns 100% of BeneVive, Inc. (BeneVive) and Southern Diversified Business Services, Inc. (SDBS). In addition, the Company owns a 100% interest in GDRG, LLC (GDRG).

Notes to Financial Statement

In 2006, the Parent initiated a reorganization of its corporate structure to better serve BCBST Enterprise's business needs. The reorganization began when BeneVive, Inc. was incorporated on November 13, 2006 as a new for-profit holding company. The remaining corporate restructure was effective as of January 1, 2007, with the completion of the following actions:

Southern Diversified Business Services, Inc. (SDBS), a wholly-owned for-profit subsidiary of the Parent, declared a stock dividend payable to the Parent. The stock dividend consisted of all of the issued and outstanding shares of stock in Shared Health, Inc. (SH), Riverbend Government Benefits Administrator, Inc. (RGBA), Gordian Health Solutions, Inc. (GHS), Security Care, Inc. (SCI), and RiverTrust Solutions, Inc. (RTS).

The Parent contributed to BeneVive all of the issued and outstanding shares of stock in SH, RGBA, GHS, SCI and RTS in exchange for 100 shares of BeneVive stock.

The Parent made a capital contribution to SDBS, which consisted of all Volunteer State Health Plan, Inc. (VSHP) stock.

Southern Health Plan, Inc. (SHP) amended its Bylaws to reflect that the Parent will govern and oversee SHP.

In addition, the Parent assigned to RGBA all of its interests in Capstone Government Solutions, LLC (Capstone), a joint venture limited liability company with CIGNA Government Services, LLC (CIGNA). CIGNA previously consented to the assignment between the Parent and RGBA in Amendment No. 2 to Operating Agreement of Capstone dated effective as of July 12, 2006.

The activities related to this corporate restructure have previously been communicated to representatives of the Tennessee Department of Commerce and Insurance. As of 03/31/07, no shares for RTS and RGBA have been issued. Shares will be issued in 2007 as these subsidiaries are funded up to a maximum of 1,000 shares for each entity.

The Parent created Tennessee Health Foundation, Inc. (THF) in 2003. THF is a public benefit corporation that promotes charitable activities. The Parent appoints the board of directors of THF, which has been granted a 501(c)(3)-tax exemption by the Internal Revenue Service.

Southern Health Plan, Inc. (SHP), doing business as BlueCross BlueShield of Tennessee Community Trust, is a Tennessee corporation created for the purpose of improving the quality of health care in Tennessee, primarily through contributions to other tax-exempt organizations. The Parent appoints the board of directors of SHP, which has also been granted a 501(c)(4) tax exemption by the Internal Revenue Service.

GDRG, formed in 2004, is a limited liability company whose primary purpose is to acquire, own, hold, maintain, operate, and develop real property.

BeneVive owns 100% of the for-profit corporations Shared Health, Inc. (SH), and Gordian Health Solutions, Inc. (GHS). SH is a health information technology company. GHS, in conjunction with its wholly owned subsidiaries, Continental Health Promotion, Inc. (CHP) and Eris Survey Systems, Inc. (ESS), mitigates the rising cost of health care by encouraging the formation of healthy lifestyle behaviors and providing case management for existing illnesses. The Parent transferred \$450,000 to BeneVive in 2007.

BeneVive also owns 100% of the for-profit corporations Security Care, Inc. (SCI), RiverTrust Solutions, Inc. (RTS) and Riverbend Government Benefits Administrator, Inc. (RGBA). SCI was incorporated in 2004 as a wholly owned subsidiary of SDBS to bid on a Request for Proposal to manage Medicare's Chronic Care Improvement Program (CCIP). RTS was established in 2003 as a wholly owned subsidiary of SDBS, and on September 7, 2006 became a Qualified Independent Contractor (QIC) able to bid on Medicare appeals workloads. RGBA was incorporated in 2002 to perform services as a Medicare Administrative Contractor or subcontractor for the Centers for Medicare and Medicaid Services (CMS) pursuant to the Medicare Modernization Act of 2003.

Capstone Government Solutions, LLC (Capstone) was incorporated in 2004 as a joint venture between the Parent and CIGNA Government Services, LLC (CIGNA) for the purpose of bidding on and administering future Medicare fee-for-service contracts. The Parent ratified the transfer of its interest in Capstone to RGBA in 2007.

SDBS owns 100% of the following for-profit corporations: Golden Security Insurance Company (GSI), Group Insurance Services, Inc. (GIS), and Volunteer State Health Plan, Inc. (VSHP). GSI, an inactive corporation, is licensed to provide health, term life, disability and other insurance coverage to its policyholders. GIS is an insurance broker. The Parent participates in the TennCareSM program through its Managed Care Organization (MCO), VSHP, which is contracted by the State of Tennessee to provide services for TennCareSM members. SDBS also owns a 10% interest in USABLE Life, Inc. (USABLE).

Notes to Financial Statement

- B.

No Change.
- C.

The Company paid \$27,723,155 and \$100,042,905 in 2007 and 2006 respectively, to the Parent for services performed under the administrative services and tax sharing agreements.
- D.

The Company reported \$6,795,763 and \$6,549,638 as amounts due to the Parent in 2007 and 2006 respectively. The Company also reported \$4,240,805 and \$2,853,713 as amounts due to Shared Health, Inc., an affiliate of the Company, in 2007 and 2006 respectively. The Shared Health payables are also presented as receivables due from the State of Tennessee. These intercompany payables and receivables are typically settled monthly. However, a balance may be carried over from month to month based on the cash flow needs of the various entities.
- E.

No Change
- F.

No Change
- G.

No Change
- H.

No Change
- I.

No Change
- J.

No Change
- K.

No Change
11.

Debt

No Change
12.

Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

No Change
13.

Capital and Surplus, Shareholders’ Dividend Restrictions and Quasi-Reorganizations.

(9)

The portion of unassigned funds (surplus) represented or reduced by each item below is as follows:

a.

unrealized gains and losses:

Not Applicable

b.

nonadmitted asset values:

\$263,438

c.

separate account business

Not Applicable

d.

asset valuation

Not Applicable

e.

provision for reinsurance:

Not Applicable

14.

Contingencies

No Change

15.

Leases

No Change

16.

Information About Financial Instruments With Off-Balance Sheet Risk And Financial Instruments With Concentrations Of Credit Risk

No Change

17.

Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

C.

Wash Sales

No Change

Notes to Financial Statement

18. Gain or Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans

A. ASO Plans

TennCareSM Select, effective July 1, 2001, and the Stabilization Plan, effective July 1, 2002, are ASO arrangements with the State. The administrative fees received are equivalent to the expenses recorded. Per Administrative Services Agreements, these expenses are paid to the Parent, who records any gain or (loss) on their books. TennCareSM Select is reported on the supplemental income statement (Report #2A, p. 5.2). The Stabilization Plan is reported on the supplemental income statement (Report #2A, p. 5.3). Cash and invested assets related to TennCareSM Select and the Stabilization Plan are reported in their appropriate categories on the balance sheet. Other assets related to TennCareSM Select and the Stabilization Plan are netted on p. 2, line 15. Assets deemed to have no economic benefit to VSHP, such as premium tax receivable from the State of Tennessee, are netted against premium tax payable to the State of Tennessee to avoid overstatement of assets and liabilities. Liabilities for the ASO plans are netted on page 3, line 20 in the category labeled “Liability for amounts held under uninsured accident and health plans”, excluding any ‘due to/from’ transactions occurring between the ASO, insured business, and the Parent.

The loss from operations from Administrative Services Only (ASO) uninsured plans and the uninsured portion of partially insured plans was as follows during 2007:

	(1)	(2)	(3)
	ASO	Uninsured	
	Uninsured	Portion of	Total
	<u>Plans</u>	<u>Plans</u>	<u>ASO</u>
a. Net reimbursement for Administrative Expenses (including Administrative Fees) in excess of actual expenses	\$ (20,026)	0	\$ (20,026)
b. Total Net Other Income or Expenses (including interest paid to or received from plans)	<u>(346)</u>	<u>0</u>	<u>(346)</u>
c. Net Gain or (Loss) from operations	<u>\$ (20,372)</u>	<u>0</u>	<u>\$ (20,372)</u>
d. Total Claims Payment Volume	\$383,725,924		\$383,725,924

B. ASC Plans

The Company operated under an Exigency agreement with the State for the period July 1, 2000 through June 30, 2001. At the direction of the TDCI, premium and claims equivalents are disseminated throughout the NAIC filing.

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contract:

Not Applicable

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

No Change

20. September 11 Events

No Change

21. Other Items

No Change

22. Events Subsequent

No Change

23. Reinsurance

No Change

24. Retrospectively Rated Contracts and Contracts Subject to Redetermination

No Change

Notes to Financial Statement

25.

Change in Incurred Claims and Claim Adjustment Expenses

No Change
26.

Intercompany Pooling Arrangements

No Change
27.

Structured Settlements

No Change
28.

Health Care Receivables

No Change
29.

Participating Policies

No Change
30.

Premium Deficiency Reserve

No Change
31.

Anticipated Salvage and Subrogation

No Change

GENERAL INTERROGATORIES

(Responses to these interrogatories should be based on changes that have occurred since the prior year end unless otherwise noted)

PART 1 - COMMON INTERROGATORIES
GENERAL

- 1.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act?

Yes[] No[X]
- 1.2 If yes, has the report been filed with the domiciliary state?

Yes[] No[] N/A[X]
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes[] No[X]
- 2.2 If yes, date of change:

.....
3. Have there been any substantial changes in the organizational chart since the prior quarter end?
If yes, complete the Schedule Y - Part 1 - organizational chart.

Yes[X] No[]
- 4.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes[] No[X]
- 4.2 If yes, provide the name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1	2	3
Name of Entity	NAIC Company Code	State of Domicile
.....

5. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved?
If yes, attach an explanation.

Yes[] No[] N/A[X]
- 6.1 State as of what date the latest financial examination of the reporting entity was made or is being made.

..... 06/30/2006
- 6.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

..... 12/31/2004
- 6.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

..... 09/08/2005
- 6.4 By what department or departments?
Tennessee Department of Commerce and Insurance
- 7.1 Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?

Yes[] No[X]
- 7.2 If yes, give full information
- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes[] No[X]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms?

Yes[] No[X]
- 8.4 If response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1	2	3	4	5	6	7
Affiliate Name	Location (City, State)	FRB	OCC	OTS	FDIC	SEC
..... Yes[] No[X]	. Yes[] No[X]	. Yes[] No[X]	. Yes[] No[X]	. Yes[] No[X]

FINANCIAL

- 9.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?
(a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
(b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
(c) Compliance with applicable governmental laws, rules and regulations;
(d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
(e) Accountability for adherence to the code.

Yes[X] No[]
- 9.11 If the response to 9.1 is No, please explain:
- 9.2 Has the code of ethics for senior managers been amended?

Yes[] No[X]
- 9.21 If the response to 9.2 is Yes, provide information related to amendment(s).
- 9.3 Have any provisions of the code of ethics been waived for any of the specified officers?

Yes[] No[X]
- 9.31 If the response to 9.3 is Yes, provide the nature of any waiver(s).
- 10.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?

Yes[] No[X]
- 10.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount:

\$..... 0

INVESTMENT

- 11.1 Has there been any change in the reporting entity's own preferred or common stock?

Yes[] No[X]
- 11.2 If yes, explain:
- 12.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.)

Yes[] No[X]
- 12.2 If yes, give full and complete information relating thereto:
13. Amount of real estate and mortgages held in other invested assets in Schedule BA:

\$..... 0
14. Amount of real estate and mortgages held in short-term investments:

\$..... 0
- 15.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates?

Yes[] No[X]
- 15.2 If yes, please complete the following:

GENERAL INTERROGATORIES (Continued)

		1	2
		Prior Year-End Book/Adjusted Carrying Value	Current Quarter Book/Adjusted Carrying Value
15.21	Bonds		
15.22	Preferred Stock		
15.23	Common Stock		
15.24	Short-Term Investments		
15.25	Mortgages Loans on Real Estate		
15.26	All Other		
15.27	Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 15.21 to 15.26)		
15.28	Total Investment in Parent included in Lines 15.21 to 15.26 above		

16.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB?

Yes[] No[X]

16.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?

Yes[] No[] N/A[X]

If no, attach a description with this statement.

17. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1 - General, Section IV. H-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?

Yes[X] No[]

17.1 For all agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1	2
Name of Custodian(s)	Custodian Address
Regions Morgan Keegan Trust	1100 Ridgeway Loop Ste 100 Memphis, TN 38120 ...

17.2 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1	2	3
Name(s)	Location(s)	Complete Explanation(s)
.....

17.3 Have there been any changes, including name changes, in the custodian(s) identified in 17.1 during the current quarter?

Yes[] No[X]

17.4 If yes, give full and complete information relating thereto:

1	2	3	4
Old Custodian	New Custodian	Date of Change	Reason
.....

17.5 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1	2	3
Central Registration Depository	Name(s)	Address
4161	Regions Morgan Keegan Trust	1100 Ridgeway Loop Ste 100 Memphis, TN 38120

18.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed?

Yes[X] No[]

18.2 If no, list exceptions:

STATEMENT AS OF **March 31, 2007** OF THE **Volunteer State Health Plan, Inc.**

SCHEDULE A - VERIFICATION

Real Estate		1	2
		Year To Date	Prior Year Ended December 31
1.	Book/adjusted carrying value, December 31 of prior year		
2.	Increase (decrease) by adjustment		
3.	Cost of acquired		
4.	Cost of additions to and permanent improvements		
5.	Total profit (loss) on sales		
6.	Increase (decrease) by foreign exchange adjustment		
7.	Amount received on sales		
8.	Book/adjusted carrying value at end of current period		
9.	Total valuation allowance		
10.	Subtotal (Lines 8 plus 9)		
11.	Total nonadmitted amounts		
12.	Statement value, current period (Page 2, real estate lines, Net Admitted Assets column)		

SCHEDULE B - VERIFICATION

Mortgage Loans

		1	2
		Year To Date	Prior Year Ended December 31
1.	Book value/recorded investment excluding accrued interest on mortgages owned, December 31 of prior year		
2.	Amount loaned during period:		
2.1	Actual cost at time of acquisitions		
2.2	Additional investment made after acquisitions		
3.	Accrual of discount and mortgage interest points and commitment fees		
4.	Increase (decrease) by adjustment		
5.	Total profit (loss) on sale		
6.	Amounts paid on account or in full during the period		
7.	Amortization of premium		
8.	Increase (decrease) by foreign exchange adjustment		
9.	Book value/recorded investment excluding accrued interest on mortgages owned at end of current period		
10.	Total valuation allowance		
11.	Subtotal (Lines 9 plus 10)		
12.	Total nonadmitted amounts		
13.	Statement value of mortgages owned at end of current period (Page 2, mortgage lines, Net Admitted Assets column)		

SCHEDULE BA - VERIFICATION

Other Invested Assets

		1	2
Description		Year To Date	Prior Year Ended December 31
1.	Book/adjusted carrying value of long-term invested assets owned, December 31 of prior year		
2.	Cost of acquisitions during period:		
2.1	Actual cost at time of acquisitions		
2.2	Additional investment made after acquisitions		
3.	Accrual of discount		
4.	Increase (decrease) by adjustment		
5.	Total profit (loss) on sale		
6.	Amounts paid on account or in full during the period		
7.	Amortization of premium		
8.	Increase (decrease) by foreign exchange adjustment		
9.	Book/adjusted carrying value of long-term invested assets at end of current period		
10.	Total valuation allowance		
11.	Subtotal (Lines 9 plus 10)		
12.	Total nonadmitted amounts		
13.	Statement value of long-term invested assets at end of current period (Page 2, Line 7, Column 3)		

SCHEDULE D - VERIFICATION

Bonds and Stocks

		1	2
		Year To Date	Prior Year Ended December 31
1.	Book/adjusted carrying value of bonds and stocks, December 31 of prior year	28,556,862	29,169,440
2.	Cost of bonds and stocks acquired		2,999,453
3.	Accrual of discount	4,060	14,486
4.	Increase (decrease) by adjustment		
5.	Increase (decrease) by foreign exchange adjustment		
6.	Total profit (loss) on disposal		24,550
7.	Consideration for bonds and stocks disposed of		3,479,480
8.	Amortization of premium	40,874	171,587
9.	Book/adjusted carrying value, current period	28,520,048	28,556,862
10.	Total valuation allowance		
11.	Subtotal (Lines 9 plus 10)	28,520,048	28,556,862
12.	Total nonadmitted amounts		
13.	Statement value	28,520,048	28,556,862

SCHEDULE D - PART 1B
Showing the Acquisitions, Dispositions and Non-Trading Activity
During the Current Quarter for all Bonds and Preferred Stock by Rating Class

	1	2	3	4	5	6	7	8
	Book/Adjusted Carrying Value Beginning of Current Quarter	Acquisitions During Current Quarter	Dispositions During Current Quarter	Non-Trading Activity During Current Quarter	Book/Adjusted Carrying Value End of First Quarter	Book/Adjusted Carrying Value End of Second Quarter	Book/Adjusted Carrying Value End of Third Quarter	Book/Adjusted Carrying Value December 31 Prior Year
BONDS								
1. Class 1	30,615,413	84,512,594	59,382,038	(36,814)	55,709,155			30,615,413
2. Class 2								
3. Class 3								
4. Class 4								
5. Class 5								
6. Class 6								
7. Total Bonds	30,615,413	84,512,594	59,382,038	(36,814)	55,709,155			30,615,413
PREFERRED STOCK								
8. Class 1								
9. Class 2								
10. Class 3								
11. Class 4								
12. Class 5								
13. Class 6								
14. Total Preferred Stock								
15. Total Bonds & Preferred Stock	30,615,413	84,512,594	59,382,038	(36,814)	55,709,155			30,615,413

SCHEDULE DA - PART 1

Short - Term Investments Owned End of Current Quarter

	1	2	3	4	5
	Book/Adjusted Carrying Value	Par Value	Actual Cost	Interest Collected Year To Date	Paid for Accrued Interest Year To Date
8299999. Totals	27,189,107	X X X	27,189,107	533,415	

SCHEDULE DA - PART 2 - Verification

Short-Term Investments Owned

		1	2
		Year To Date	Prior Year Ended December 31
1.	Book/adjusted carrying value, December 31 of prior year	2,058,551	27,811,068
2.	Cost of short-term investments acquired	84,512,594	531,120,936
3.	Increase (decrease) by adjustment		
4.	Increase (decrease) by foreign exchange adjustment		
5.	Total profit (loss) on disposal of short-term investments		
6.	Consideration received on disposal of short-term investments	59,382,038	556,873,453
7.	Book/adjusted carrying value, current period	27,189,107	2,058,551
8.	Total valuation allowance		
9.	Subtotals (Lines 7 plus 8)	27,189,107	2,058,551
10.	Total nonadmitted amounts		
11.	Statement value (Lines 9 minus 10)	27,189,107	2,058,551
12.	Income collected during period	533,415	885,378
13.	Income earned during period	591,799	807,676

SCHEDULE DB - PART F - SECTION 1
Summary of Replicated (Synthetic) Assets Open

Replicated (Synthetic) Asset					Components of the Replicated (Synthetic) Asset							
1 Replication RSAT Number	2 Description	3 NAIC Designation or Other Description	4 Statement Value	5 Fair Value	Derivative Instruments Open			Cash Instrument(s) Held				
					6 Description	7 Fair Value	8 CUSIP	9 Description	10 Statement Value	11 Fair Value	12 NAIC Designation or Other Description	
					<div>NONE</div>							
9999999 Totals					XXX		XXX	XXX				XXX

SCHEDULE DB - PART F - SECTION 2
Reconciliation of Replicated (Synthetic) Assets Open

	First Quarter		Second Quarter		Third Quarter		Fourth Quarter		Year-To-Date	
	1	2	3	4	5	6	7	8	9	10
	Number of Positions	Total Replicated (Synthetic) Assets Statement Value	Number of Positions	Total Replicated (Synthetic) Assets Statement Value	Number of Positions	Total Replicated (Synthetic) Assets Statement Value	Number of Positions	Total Replicated (Synthetic) Assets Statement Value	Number of Positions	Total Replicated (Synthetic) Assets Statement Value
1. Beginning Inventory										
2. Add: Opened or Acquired Transactions										
3. Add: Increases in Replicated Asset Statement Value	X X X				X X X		X X X		X X X	
4. Less: Closed or Disposed of Transactions										
5. Less: Positions Disposed of for Failing Effectiveness Criteria										
6. Less: Decreases in Replicated (Synthetic) Asset Statement Value	X X X				X X X		X X X		X X X	
7. Ending Inventory										

SCHEDULE S - CEDED REINSURANCE
Showing All New Reinsurance Treaties - Current Year to Date

1 NAIC Company Code	2 Federal ID Number	3 Effective Date	4 Name of Reinsurer	5 Location	6 Type of Reinsurance Ceded	7 Is Insurer Authorized? (Yes or No)
			NONE			

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Current Year to Date - Allocated by States and Territories

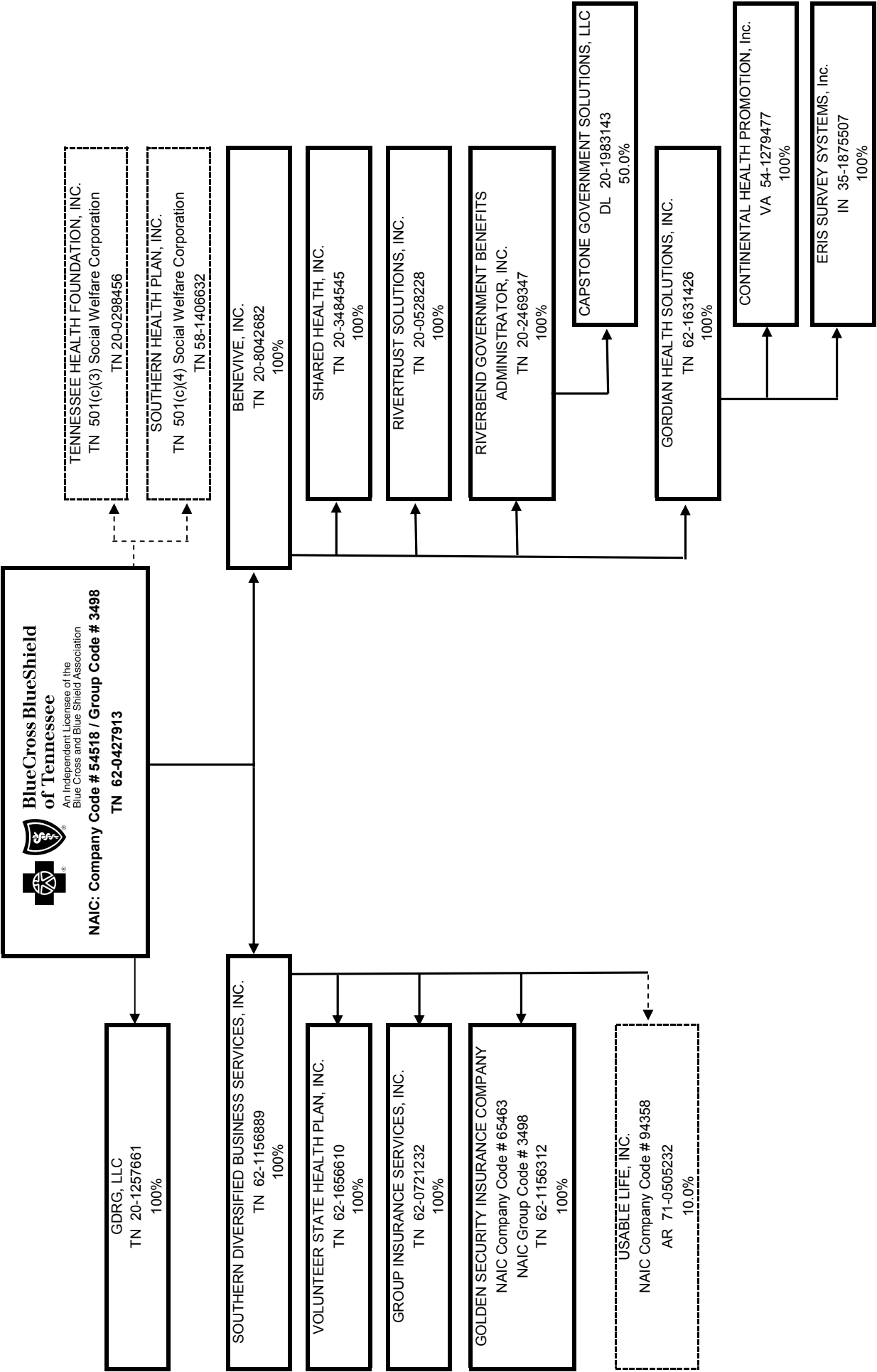
		1 Is Insurer Licensed (Yes or No)	Direct Business Only							
			2 Accident and Health Premiums	3 Medicare Title XVIII	4 Medicaid Title XIX	5 Federal Employees Health Benefits Program Premiums	6 Life and Annuity Premiums and Other Considerations	7 Property/ Casualty Premiums	8 Total Columns 2 Through 7	9 Deposit-Type Contracts
State, Etc.										
1.	Alabama (AL)	No								
2.	Alaska (AK)	No								
3.	Arizona (AZ)	No								
4.	Arkansas (AR)	No								
5.	California (CA)	No								
6.	Colorado (CO)	No								
7.	Connecticut (CT)	No								
8.	Delaware (DE)	No								
9.	District of Columbia (DC)	No								
10.	Florida (FL)	No								
11.	Georgia (GA)	No								
12.	Hawaii (HI)	No								
13.	Idaho (ID)	No								
14.	Illinois (IL)	No								
15.	Indiana (IN)	No								
16.	Iowa (IA)	No								
17.	Kansas (KS)	No								
18.	Kentucky (KY)	No								
19.	Louisiana (LA)	No								
20.	Maine (ME)	No								
21.	Maryland (MD)	No								
22.	Massachusetts (MA)	No								
23.	Michigan (MI)	No								
24.	Minnesota (MN)	No								
25.	Mississippi (MS)	No								
26.	Missouri (MO)	No								
27.	Montana (MT)	No								
28.	Nebraska (NE)	No								
29.	Nevada (NV)	No								
30.	New Hampshire (NH)	No								
31.	New Jersey (NJ)	No								
32.	New Mexico (NM)	No								
33.	New York (NY)	No								
34.	North Carolina (NC)	No								
35.	North Dakota (ND)	No								
36.	Ohio (OH)	No								
37.	Oklahoma (OK)	No								
38.	Oregon (OR)	No								
39.	Pennsylvania (PA)	No								
40.	Rhode Island (RI)	No								
41.	South Carolina (SC)	No								
42.	South Dakota (SD)	No								
43.	Tennessee (TN)	Yes			(16,458)				(16,458)	
44.	Texas (TX)	No								
45.	Utah (UT)	No								
46.	Vermont (VT)	No								
47.	Virginia (VA)	No								
48.	Washington (WA)	No								
49.	West Virginia (WV)	No								
50.	Wisconsin (WI)	No								
51.	Wyoming (WY)	No								
52.	American Samoa (AS)	No								
53.	Guam (GU)	No								
54.	Puerto Rico (PR)	No								
55.	U.S. Virgin Islands (VI)	No								
56.	Northern Mariana Islands (MP)	No								
57.	Canada (CN)	No								
58.	Aggregate other alien (OT)	X X X								
59.	Subtotal	X X X			(16,458)				(16,458)	
60.	Reporting entity contributions for Employee Benefit Plans	X X X								
61.	Total (Direct Business)	(a) 1			(16,458)				(16,458)	
DETAILS OF WRITE-INS										
5801.	.....	X X X								
5802.	.....	X X X								
5803.	.....	X X X								
5898.	Summary of remaining write-ins for Line 58 from overflow page	X X X								
5899.	TOTALS (Lines 5801 through 5803 plus 5898) (Line 58 above)	X X X								

(a) Insert the number of yes responses except for Canada and Other Alien.

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER

MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of NO to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter SEE EXPLANATION and provide an explanation following the interrogatory questions.

	RESPONSE
1. Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC with this statement?	No

Explanations:

Bar Codes:

Medicare Part D Coverage Supplement



LIABILITIES, CAPITAL AND SURPLUS

		Current Period			Prior Year
		1 Covered	2 Uncovered	3 Total	4 Total
2104.	Due to State of Tennessee .....	.....	.....	.....	..... 3,645,313
2197.	Summary of remaining write-ins for Line 21 (Lines 2104 through 2196) .....	.....	.....	.....	..... 3,645,313

STATEMENT OF REVENUE AND EXPENSES

		Current Year To Date		Prior Year To Date
		1 Uncovered	2 Total	3 Total
0604.	Meharry Payments .....	..... X X X .....	..... (3,250,000)	..... (2,500,000)
0605.	Essential Provider Payments (EPP) .....	..... X X X .....	..... (50,000,000)	..... (75,000,000)
0606.	.....	..... X X X .....	.....	.....
0607.	.....	..... X X X .....	.....	.....
0697.	Summary of remaining write-ins for Line 6 (Lines 0604 through 0696) .....	..... X X X .....	..... (53,250,000)	..... (77,500,000)

STATEMENT OF REVENUE AND EXPENSES (Continued)

		1 Current Year To Date	2 Prior Year To Date	3 Prior Year
	
4704.	.....	.....	.....	.....
4705.	.....	.....	.....	.....
4706.	.....	.....	.....	.....
4707.	.....	.....	.....	.....
4708.	.....	.....	.....	.....
4797.	Summary of remaining write-ins for Line 47 (Lines 4704 through 4796) .....	.....	.....	.....

SCHEDULE A - PART 2
Showing all Real Estate ACQUIRED During the Current Quarter

1 Description of Property	Location		4 Date Acquired	5 Name of Vendor	6 Actual Cost	7 Amount of Encumbrances	8 Book/Adjusted Carrying Value Less Encumbrances	9 Expended for Additions and Permanent Improvements
	2	3						
	City	State						
NONE								
9999999 Totals								

SCHEDULE A - PART 3
Showing All Real Estate SOLD During the Quarter, Including Payments During the Final Year on "Sales Under Contract"

1 Description of Property	Location			4 Disposal Date	5 Name of Purchaser	6 Actual Cost	7	8	9	10 Expended for Additions, Permanent Improvements and Changes in Encumbrances	11 Book/Adjusted Carrying Value Less Encumbrances	12 Amounts Received	13 Foreign Exchange Profit (Loss) on Sale	14 Realized Profit (Loss) on Sale	15 Total Profit (Loss) on Sale	16 Gross Income Earned Less Interest Incurred on Encumbrances	17 Taxes, Repairs, and Expenses Incurred
	2	3	Book/Adjusted Carrying Value Less Encumbrances Prior Year				Increase (Decrease) by Adjustment	Increase (Decrease) by Foreign Exchange Adjustment									
<div>NONE</div>																	
9999999 Totals																	

SCHEDULE B - PART 1

Showing all Mortgage Loans ACQUIRED during the Current Quarter

1 Loan Number	Location		4 Loan Type	5 Actual Cost	6 Date Acquired	7 Rate of Interest	8 Book Value/Recorded Investment Excluding Accrued Interest	9 Increase (Decrease) by Adjustment	10 Increase (Decrease) by Foreign Exchange Adjustment	11 Value of Land and Buildings	12 Date of Last Appraisal or Valuation
	2	3 State									
NONE											
9999999 GRAND TOTAL						XXX	XXX				XXX

SCHEDULE B - PART 2

Showing all Mortgage Loans SOLD, Transferred or Paid in Full During the Current Quarter

1 Loan Number	Location		4 Loan Type	5 Date Acquired	6 Book Value/ Recorded Investment Excluding Accrued Interest Prior Year	7 Increase (Decrease) by Adjustment	8 Increase (Decrease) by Foreign Exchange Adjustment	9 Book Value/ Recorded Investment Excluding Accrued Interest at Disposition	10 Consideration Received	11 Foreign Exchange Profit (Loss) on Sale	12 Realized Profit (Loss) on Sale	13 Total Profit (Loss) on Sale
	2	3 State										
<div>NONE</div>												
9999999 Totals												

SCHEDULE BA - PART 1

Showing Other Long-Term Invested Assets ACQUIRED during the Current Quarter

1	CUSIP Identification	2	Location		5	6	7	8	9	10	11	12	13	14	15	16
Name or Description			3	4	Name of Vendor or General Partner	NAIC Designation	Date Originally Acquired	Type and Strategy	Actual Cost	Amount of Encumbrances	Book/ Adjusted Carrying Value Less Encumbrances	Fair Value	Increase (Decrease) by Adjustment	Increase (Decrease) by Foreign Exchange Adjustment	Commitment for Additional Investment	Percentage of Ownership
			City	State												
NONE																
7199999 Totals X X X																

SCHEDULE BA - PART 2

Showing Other Long-Term Invested Assets SOLD, Transferred or Paid in Full During the Current Quarter

1	CUSIP Identification	2	Location		5	6	7	8	9	10	11	12	13	14	15
			3	4	Name of Purchaser or Nature of Disposal	Date Originally Acquired	Book/Adjusted Carrying Value Less Encumbrances, Prior Year	Increase (Decrease) by Adjustment	Increase (Decrease) by Foreign Exchange Adjustment	Book/Adjusted Carrying Value Less Encumbrances on Disposal	Consideration Received	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Investment Income
NONE															
199999 Totals															

SCHEDULE D - PART 3

Show All Long-Term Bonds and Stock Acquired by the Company During the Current Quarter

1 CUSIP Identification	2 Description	3 Foreign	4 Date Acquired	5 Name of Vendor	6 Number of Shares of Stock	7 Actual Cost	8 Par Value	9 Paid for Accrued Interest and Dividends	10 NAIC Designation or Market Indicator (a)
NONE									
7499999 Total - Bonds, Preferred and Common Stocks									
(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues0.									

SCHEDULE DB - PART A - SECTION 1

Showing all Options, Caps, Floors and Insurance Futures Options Owned at Current Statement Date

1 Description	2 Number of Contracts or Notional Amount	3 Date of Maturity, Expiry, or Settlement	4 Strike Price Rate or Index	5 Date of Acquisition	6 Exchange or Counterparty	7 Cost/ Option Premium	8 Book Value	9 *	10 Statement Value	11 Fair Value	12 Year to Date Increase/ (Decrease) by Adjustment	13 Used to Adjust Basis of Hedged Item	14 Other Investment/ Miscellaneous Income
NONE													
9999999 Total								X X X					

SCHEDULE DB - PART B - SECTION 1

Showing all Options, Caps, Floors and Insurance Futures Options Written and In-Force at Current Statement Date

1 Description	2 Number of Contracts or Notional Amount	3 Date of Maturity, Expiry, or Settlement	4 Strike Price Rate or Index	5 Date of Issuance/ Purchase	6 Exchange or Counterparty	7 Consideration Received	8 Book Value	9 *	10 Statement Value	11 Fair Value	12 Year to Date Increase/ (Decrease) by Adjustment	13 Used to Adjust Basis	14 Other Investment/ Miscellaneous Income
NONE													
9999999 Total								X X X					

SCHEDULE DB - PART C - SECTION 1

Showing all Collar, Swap and Forwards Open at Current Statement Date

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Description	Notional Amount	Date of Maturity, Expiry, or Settlement	Strike Price Rate or Index Rec (Pay)	Date of Opening Position or Agreement	Exchange or Counterparty	Cost or (Consideration Received)	Book Value	*	Statement Value	Fair Value	Year to Date Increase/ (Decrease) by Adjustment	Used to Adjust Basis of Hedged Item	Other Investment/ Miscellaneous Income	Potential Exposure
NONE														
								XXX						
9999999 Total														

SCHEDULE DB - PART D - SECTION 1

Showing all Futures Contracts and Insurance Futures Contracts at Current Statement Date

1	2	3	4	5	6	7	8	9	Variation Margin Information			13						
Description	Number of Contracts	Maturity Date	Original Value	Current Value	Variation Margin	Date of Opening Position	Exchange or Counterparty	Cash Deposit	10	11	12	Potential Exposure						
									Recognized	Used to Adjust Basis of Hedged Item	Deferred							
						NONE												
												XXX	XXX					
9999999 Total																		

SCHEDULE E - PART 1 - CASH

Month End Depository Balances

1			2	3	4	5	Book Balance at End of Each Month During Current Quarter			9
					Amount of Interest Received During Current Quarter	Amount of Interest Accrued at Current Statement Date	6	7	8	
Depository			Code	Rate of Interest			First Month	Second Month	Third Month	*
open depositories										
Regions Bank	601 Market Street, Chattanooga, TN 37402						4,332,506	4,332,963	4,339,008	X X X
Regions Bank	601 Market Street, Chattanooga, TN 37402						8,068,399	1,630,271	2,616,792	X X X
Regions Bank	601 Market Street, Chattanooga, TN 37402						2,803,725	2,055,533	1,748,642	X X X
Regions Bank	601 Market Street, Chattanooga, TN 37402						3,392,126	868,386	1,237,149	X X X
Regions Bank	601 Market Street, Chattanooga, TN 37402						596,946	606,680	601,112	X X X X X X
0199998 Deposits in .....1 depositories that do not exceed the allowable limit in any one depository (See Instructions) - open depositories			X X X	.. X X X ..			2,773	3,278	3,774	X X X
0199999 Totals - Open Depositories			X X X	.. X X X ..			19,196,475	9,497,111	10,546,477	X X X
0299998 Deposits in .....0 depositories that do not exceed the allowable limit in any one depository (See Instructions) - suspended depositories			X X X	.. X X X ..						X X X
0299999 Totals - Suspended Depositories			X X X	.. X X X ..						X X X
0399999 Total Cash On Deposit			X X X	.. X X X ..			19,196,475	9,497,111	10,546,477	X X X
0499999 Cash in Company's Office			X X X	.. X X X ..	X X X	X X X				X X X
0599999 Total Cash			X X X	.. X X X ..			19,196,475	9,497,111	10,546,477	X X X

SCHEDULE E - PART 2 - CASH EQUIVALENTS

Show Investments Owned End of Current Quarter							
1	2	3	4	5	6	7	8
Description	Code	Date Acquired	Rate of Interest	Maturity Date	Book/Adjusted Carrying Value	Amount of Interest Due & Accrued	Gross Investment Income
NONE							
0199999							



MEDICARE PART D COVERAGE SUPPLEMENT
Net of Reinsurance
For the Quarter Ended

NAIC Group Code

NAIC Company Code

		Individual Coverage		Group Coverage		5 Total Cash
		1 Insured	2 Uninsured	3 Insured	4 Uninsured	
1.	Premiums Collected		X X X		X X X	
2.	Earned Premiums		X X X		X X X	X X X
3.	Claims Paid		X X X		X X X	
4.	Claims Incurred		X X X		X X X	X X X
5.	Reinsurance Coverage and Low Income Cost Sharing - Claims Paid Net of Reimbursements Applied (a)	NONE		X X X		
6.	Aggregate Policy Reserves - change				X X X	X X X
7.	Expenses Paid				X X X	
8.	Expenses Incurred				X X X	X X X
9.	Underwriting Gain or Loss		X X X		X X X	X X X
10.	Cash Flow Results	X X X	X X X	X X X	X X X	

(a) Uninsured Receivable/Payable with CMS at End of Quarter: \$.0 due from CMS or \$.0 due to CMS

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QUARTERLY STATEMENT**

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EXHIBIT 2 - ACCIDENT AND HEALTH PREMIUMS DUE AND UNPAID

1	2	3	4	5	6	7
Name of Debtor	1 - 30 Days	31 - 60 Days	61 - 90 Days	Over 90 Days	Nonadmitted	Admitted
			NONE			
0599999 Accident and health premiums due and unpaid (Page 2, Line 13)						

EXHIBIT 3 - HEALTH CARE RECEIVABLES

1	2	3	4	5	6	7
Name of Debtor	1 - 30 Days	31 - 60 Days	61 - 90 Days	Over 90 Days	Nonadmitted	Admitted
	NONE					
0799999 Gross health care receivables						

EXHIBIT 5 - AMOUNTS DUE FROM PARENT, SUBSIDIARIES AND AFFILIATES

1	2	3	4	5	6	Admitted	
						7	8
Name of Affiliate	1 - 30 Days	31 - 60 Days	61 - 90 Days	Over 90 Days	Nonadmitted	Current	Non-Current
Individually listed receivables							
	N O N E						
0199999 Total - individually listed receivables							
0299999 Receivables not individually listed							
0399999 Total gross amounts receivable							

EXHIBIT 6 - AMOUNTS DUE TO PARENT, SUBSIDIARIES AND AFFILIATES

Affiliate	2 Description	3 Amount	4		5 Non-Current
			Current		
BlueCross BlueShield of Tennessee Shared Health, Inc.	ITS claims, bonus accrual and miscellaneous Community Health Records	6,795,763 4,240,805	2,774,403 1,344,685	4,021,360 2,896,120	
0199999 Total - Individually listed payables	.....XXX.....	11,036,568	4,119,088	6,917,480	
0299999 Payables not individually listed	.....XXX.....	.....	.....	.....
0399999 Total gross payables	.....XXX.....	11,036,568	4,119,088	6,917,480	